

Alternative Estimates of Capital Consumption and Profits of Nonfinancial Corporations, 1977-81

Estimates of capital consumption and profits of nonfinancial corporations for 1977-81, based on alternative depreciation formulas and service lives, and valued at historical and current costs are shown in tables 1-3. They incorporate the revised national income and product account (NIPA) estimates that appeared in the July 1982 Survey of Current Business. The depreciation formulas used are straight-line and double-declining

balance; service lives used are 100 percent of Internal Revenue Service Bulletin F (.F), 85 percent of Bulletin F (.85F), 75 percent of Bulletin F (.75F), and 100 percent of Bulletin F through 1940 with a gradual decrease to 75 percent of Bulletin F in 1960 (F to .75F). Estimates for 1929-76 appeared in the April 1981 Survey. A statement of methodology appeared in the March 1976 Survey.

Table 1.—Alternative Estimates of Capital Consumption of Nonfinancial Corporations: National Income and Product Account Estimates and Estimates Based on Alternative Methods of Depreciation, 1977-81

[Billions of dollars]

	Line	1977	1978	1979	1980	1981
Capital consumption allowances, NIPA ¹	1	104.9	118.5	133.6	155.0	179.5
Capital consumption allowances with capital consumption adjustment, NIPA ¹	2	115.7	130.9	149.6	172.0	195.8
Capital consumption allowances with capital consumption adjustment, alternative methods of depreciation:						
Historical-cost valuation:						
Straight-line depreciation:						
F service lives	3	70.1	78.4	87.6	97.6	108.5
.85F service lives	4	76.2	84.1	94.7	105.8	117.8
.75F service lives	5	80.6	89.1	100.5	112.8	125.9
F to .75F service lives	6	81.3	90.3	101.1	113.0	126.8
Double-declining balance depreciation:						
F service lives	7	82.4	92.0	103.5	116.1	129.2
.85F service lives	8	87.6	96.1	110.5	124.0	138.2
.75F service lives	9	91.7	102.8	116.1	130.4	145.2
F to .75F service lives	10	92.2	103.3	116.5	130.8	145.8
Current-cost valuation:						
Straight-line depreciation:						
F service lives	11	110.3	124.8	142.2	162.7	184.6
.85F service lives	12	119.6	134.9	153.8	175.6	198.7
.75F service lives	13	123.4	137.8	156.8	179.8	201.8
Double-declining balance depreciation:						
F service lives	14	118.1	132.3	152.1	173.5	196.4
.85F service lives	15	123.3	137.9	157.6	180.8	203.1
.75F service lives	16	125.4	141.5	161.6	184.6	207.8
F to .75F service lives	17	127.4	143.6	163.8	186.7	210.1

1. Tax return-based capital consumption allowances.

2. Based on current-cost valuation, straight-line depreciation, and .85F service lives.

Table 2.—Alternative Estimates of Capital Consumption Adjustment for Nonfinancial Corporations: National Income and Product Account Estimates and Estimates Based on Alternative Methods of Depreciation, 1977-81

[Billions of dollars]

	Line	1977	1978	1979	1980	1981
Capital consumption adjustment, NIPA ¹	1	-16.8	-12.8	-12.9	-17.0	-16.8
Capital consumption adjustment, alternative methods of depreciation ² :						
Historical-cost valuation:						
Straight-line depreciation:						
F service lives	2	84.9	40.1	48.1	57.4	71.0
.85F service lives	3	88.7	38.9	46.9	55.2	61.7
.75F service lives	4	94.3	28.8	35.1	42.6	54.2
F to .75F service lives	5	91.7	28.2	34.7	42.8	53.6
Double-declining balance depreciation:						
F service lives	6	22.6	26.6	32.1	39.8	50.3
.85F service lives	7	17.0	20.6	25.1	31.6	41.8
.75F service lives	8	13.2	18.7	19.6	20.7	34.2
F to .75F service lives	9	12.7	18.2	19.1	21.2	33.8
Current-cost valuation:						
Straight-line depreciation:						
F service lives	10	-5.4	-6.0	-6.0	-7.7	-5.1
.85F service lives	11	-14.7	-15.3	-18.1	-20.6	-10.2
.75F service lives	12	-17.6	-19.2	-21.2	-23.7	-22.4
Double-declining balance depreciation:						
F service lives	13	-13.2	-14.7	-16.6	-18.4	-16.3
.85F service lives	14	-17.4	-19.4	-21.9	-25.0	-23.6
.75F service lives	15	-20.5	-22.9	-25.6	-29.4	-28.4
F to .75F service lives	16	-22.6	-26.8	-28.2	-31.7	-30.7

1. Equals line 1, table 1, minus line 2, table 1.

2. Lines 2 through 16 are equal to tax return-based capital consumption allowances (line 1, table 1) minus the capital consumption allowances based on the designated valuation, depreciation formula, and service lives (lines 3 through 17, table 1). For example, line 3 equals line 1, table 1, minus line 3, table 1.

Table 3.—Alternative Estimates of Profits of Nonfinancial Corporations:¹ National Income and Product Account Estimates and Estimates Based on Alternative Methods of Depreciation, 1977-81

[Billions of dollars]

	Line	1977	1978	1979	1980	1981
Corporate profits before deduction of capital consumption allowances, with inventory valuation adjustment, NIPA.....	1	245.2	272.9	254.3	285.0	341.4
Corporate profits with inventory valuation adjustment and without capital consumption adjustment, NIPA ²	2	140.3	154.4	148.6	140.0	162.0
Corporate profits with inventory valuation and capital consumption adjustments, NIPA ³	3	129.6	142.1	134.7	123.0	146.6
Corporate profits with inventory valuation and capital consumption adjustments, alternative methods of depreciation ⁴						
Historical-cost valuation:						
Straight-line depreciation:						
F service lives.....	4	174.5	194.5	186.8	197.4	230.0
.85F service lives.....	5	188.0	188.2	189.6	188.2	223.6
.75F service lives.....	6	164.6	189.2	182.8	183.5	216.1
F to .75F service lives.....	7	163.9	182.6	183.2	182.0	215.6
Double-declining balance depreciation:						
F service lives.....	8	182.8	180.9	180.7	178.9	212.3
.85F service lives.....	9	181.6	174.9	173.8	171.0	208.8
.75F service lives.....	10	163.5	170.1	169.3	164.6	196.2
F to .75F service lives.....	11	163.8	169.8	167.8	164.2	195.8
Current-cost valuation:						
Straight-line depreciation:						
F service lives.....	12	184.9	168.8	162.1	182.3	186.9
.85F service lives.....	13	126.6	186.0	186.5	119.4	182.8
.75F service lives.....	14	122.8	185.1	187.5	116.2	186.6
Double-declining balance depreciation:						
F service lives.....	15	187.1	189.7	186.8	121.1	145.0
.85F service lives.....	16	122.9	185.0	126.7	118.0	188.3
.75F service lives.....	17	118.8	181.4	122.7	110.5	188.6
F to .75F service lives.....	18	117.8	189.8	120.5	108.3	181.8

1. Excludes profits originating in the rest of the world.

2. Equals line 1, table 3, minus line 1, table 2.

3. Equals line 2, table 3, plus line 1, table 2.

4. Lines 4 through 18 are equal to NIPA profits with inventory valuation adjustment and without capital consumption adjustment (line 2, table 3) plus the capital consumption adjustment based on the designated valuation, depreciation formula, and service lives lines 2 through 18, table 2. For example, line 4 equals line 2, table 3, plus line 2, table 2.